

Message Text

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ORIGIN EB-07

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SP-02 AID-05 NSC-05 RSC-01 CIEP-01 SS-15 STR-01

OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00

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FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY ALGIERS PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY BRASILIA PRIORITY

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AMEMBASSY ROME PRIORITY

AMEMBASSY SANTIAGO PRIORITY
AMEMBASSY STOCKHOLM PRIORITY
AMEMBASSY TEHRAN PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY TRIPOLI PRIORITY
AMEMBASSY TUNIS PRIORITY

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: U.S. TRUST FUND PROPOSAL AND THE JANUARY 17 DEVELOPMENT COMMITTEE MEETING

REF: STATE 279301

1. YOU ARE REQUESTED TO CONTACT HOST GOVERNMENT'S DELEGATE TO JANUARY 17 WASHINGTON MEETING OF THE JOINT IBRD/IMF MINISTERIAL COMMITTEE ON TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES (DEVELOPMENT COMMITTEE), AND POSSIBLY OTHER APPROPRIATE GOVERNMENT OFFICIALS, AND CONVEY FOLLOWING U.S. POSITION ON THIS MEETING, REPORTING REACTIONS ASAP.

2. U.S. VIEWS TRUST FUND PROPOSAL DESCRIBED IN REFTEL AS MAJOR NEW INITIATIVE WITH SIGNIFICANT POTENTIAL FOR MOBILIZING NET ADDITIONAL RESOURCES FOR DEVELOPING COUNTRIES MOST SERIOUSLY AFFECTED (MSA) BY CURRENT WORLD ECONOMIC SITUATION. USG INTENDS TO REFER ONLY BRIEFLY TO THIS PROPOSAL AT JANUARY 15-16 WASHINGTON MEETING OF IMF INTERIM COMMITTEE, WHICH ALREADY HAS VERY FULL AGENDA. INSTEAD, USG ENVISIONS THAT DEVELOPMENT COMMITTEE WOULD UNDERTAKE SERIOUS STUDY OF TRUST FUND IDEA AT ITS JANUARY 17 MEETING. IN ORDER TO DO THIS EFFECTIVELY, WE WOULD HOPE THAT THE DEVELOPMENT COMMITTEE WILL CONSIDER THE TRUST FUND AS BEING OF HIGHEST IMMEDIATE PRIORITY FOR MSAS AND WILL DEFER EXTENSIVE DISCUSSION OF OTHER ALTERNATIVES, SUCH AS PROPOSED IBRD "THIRD WINDOW"

(FOR SUBSIDIZED LOANS AT CONCESSIONAL TERMS HARDER THAN IDA TERMS BUT SOFTER THAN CONVENTIONAL IBRD LOANS).

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3. THE U.S. WILL PROPOSE AT THE JANUARY 17 MEETING THAT THE DEVELOPMENT COMMITTEE ESTABLISH ON AN URGENT BASIS A WORKING GROUP TO CONSIDER AND FURTHER DEVELOP THE TRUST FUND CONCEPT. WE WOULD HOPE THAT SUCH A GROUP COULD BE LIMITED IN SIZE IN ORDER TO MAXIMIZE ITS EFFECTIVENESS, WITH PERHAPS NO MORE THAN 25 MEMBERS -- ONE INDIVIDUAL FROM EACH OF THE 20 IBRD CONSTITUENCIES PLUS ONE FROM SOME AD-

DITIONAL MAJOR DONOR COUNTRIES NOT OTHERWISE REPRESENTED.
WE HOPE GOVERNMENTS WILL BEGIN GIVING THOUGHT TO WHOM MIGHT
BE REPRESENTING THEM ON THE WORKING GROUP.

4. FOR OPEC COUNTRIES: USG VERY MUCH HOPES OPEC MEMBERS
WILL VIEW TRUST FUND PROPOSAL SYMPATHETICALLY AS SERIOUS,
CONSTRUCTIVE INITIATIVE WITHIN LIMITATIONS OECD COUNTRIES
TEND TO FACE IN FINDING NET ADDITIONAL AID RESOURCES TO AID
MSAS, AND THAT OPEC MEMBERS WILL BE WELL REPRESENTED ON
PROPOSED NEW WORKING GROUP. U.S. PREFERS TRUST FUND TO
SUCH OTHER ALTERNATIVES AS "THIRD WINDOW" BECAUSE IT WILL
ENABLE US AND OTHER COUNTRIES TO MATCH OPEC CONTRIBUTIONS
THROUGH THE DEVICE OF IMF GOLD SALES OR BORROWINGS AGAINST
GOLD. THE "THIRD WINDOW" PROPOSAL WOULD, ON THE OTHER
HAND, REQUIRE LEGISLATIVE ACTION, AND WE ARE PESSIMISTIC ON
POSSIBILITIES OF MATCHING. KISSINGER

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